



NATIONAL ENDOWMENT FOR THE  
**Humanities**

OFFICE OF INSPECTOR GENERAL

June 5, 2014

**RETURN RECEIPT REQUESTED**

Board of Trustees  
Oklahoma Humanities Council  
428 W. California Avenue, Suite 270  
Oklahoma City, OK 73102  
Attn: [REDACTED], Board Chair

OIG Report Number: OIG-14-05 (DR)

Dear Board Members:

We have completed our desk review of the single audit report prepared by Luton & Company, CPAs, which includes the Federal assistance programs administered by the Oklahoma Humanities Council (the "Council"), for the year ended October 31, 2013. The independent auditors (IPA) previously furnished a copy of their audit report (dated February 14, 2014) to the Council and submitted the related reporting package to the Federal Audit Clearinghouse. The IPA issued unmodified opinions<sup>i</sup> regarding the financial statements and Federal compliance. Furthermore, no reportable findings were identified.

Our review was limited to an examination of the IPA's audit report and email correspondence with the audit partner. We did not examine the underlying audit documentation to evaluate the adequacy of the audit work performed; rather, the *Guide for Desk Reviews of OMB Circular A-133 Audit Reports (2010 Edition)*, issued by the Council of Inspectors General on Integrity and Efficiency (CIGIE), was used to determine whether the audit report meets the core reporting requirements stipulated by Office of Management and Budget (OMB) Circular A-133. Audit reports determined to be *technically deficient* or *unacceptable* require corrective action.

We determined that the audit report generally meets Federal reporting requirements<sup>ii</sup>, with the following exception:

**Major Program Selection Criteria**

OMB Circular A-133, Sections .320 and .520, and the related Compliance Supplement provide guidance concerning the selection of "major programs". Major programs represent the Federal awards subject to detailed single audit compliance testing by the IPA.

According to the *Schedule of Findings and Questioned Costs*, both NEH grant programs (CFDA<sup>iii</sup>'s 45.129 and 45.168) were treated as a "cluster"<sup>iv</sup> and tested as a single major program. Neither NEH guidance nor the OMB Circular A-133 Compliance Supplement direct that these programs be treated as a cluster. In fact, they represent unique and distinct NEH programs.

The related impact deemed negligible since one of the two Federal programs (*We The People* award - CFDA #45.168) had essentially expired at the end of FY2012. As a result, the expenditures reported in the FY2013 *Schedule of Expenditure of Federal Awards* only amounted to \$500 for this Federal program, therefore the IPA's improper "clustering" treatment did not adversely impact the single audit testing performed. Accordingly, the deficiency does not warrant additional single audit testing or a restatement of the financials. However, future audit reports containing invalid major program clusters may be rejected.

**Other Comments:**


**Schedule of Expenditures of Federal Awards (SEFA)**

The Council's financial statements were prepared on the accrual basis of accounting (as required by Generally Accepted Accounting Principles), yet the expenditures reflected in the SEFA were calculated using the cash basis of accounting, as highlighted in the *Basis of Presentation* note. Professional standards and OMB Circular A-133 permit this presentation approach as long as the expense amount reported in the SEFA can be reconciled back to the core financial statements.<sup>v</sup> To ensure compliance with this requirement, we obtained a copy of the relevant working paper from the IPA and determined that such a reconciliation was indeed prepared.

Please note that we are sending this letter to the audit partner at Luton & Company to inform him of the results of our review.

If you have any questions concerning this letter or need accounting assistance, please contact Mr. Steve Elsberg at (202) 606-8353 or via email at [selsberg@neh.gov](mailto:selsberg@neh.gov).

Sincerely,

  
\_\_\_\_\_  
Laura Davis  
Inspector General

**Distribution List:**

Auditor:

██████████, *Audit Partner*  
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One Broadway Executive Park  
201 NW 63<sup>rd</sup> Street, Suite 100  
Oklahoma City, OK 73116



<sup>i</sup> An unmodified opinion represents the IPA's highest level of assurance, indicating that the audited entity's financial statement presentation (to include Federal grant activity) materially complies with applicable auditing standards and Federal requirements stipulated in OMB Circular A-133: *Audits of States, Local Governments, and Non-Profit Organizations*.

<sup>ii</sup> Of the four possible conclusions applicable to a single audit desk review, the NEH-OIG has concluded that the Council's FY2013 audit report is *Acceptable with Deficiencies*, [i.e. the report contains quality deficiencies that should be brought to the attention of the auditor (and auditee) for correction in future audits]."

<sup>iii</sup> CFDA – Catalog of Federal Domestic Assistance

<sup>iv</sup> A "cluster" represents a grouping of closely related programs that share common compliance requirements. The types of clusters of programs are research and development (R&D), student financial aid (SFA), and other clusters. "Other clusters" are as defined by the Office of Management and Budget (OMB) in the *Compliance Supplement* or are designated by a State for Federal awards that the State provides to its subrecipients that meet the definition of a cluster of programs. A cluster of programs shall be considered as one program for determining major programs.

<sup>v</sup> AICPA Government Audit Quality Center's *SEFA Practice Aid (Part III)* states that "in cases where the SEFA is prepared on a different basis of accounting from the financial statements, Technical Information Service (TIS) section 9160.27 clarifies that as long as the SEFA can be reconciled back to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves, the conditions set forth in paragraph .05(a) of AU section 551 are considered met, and, as long as the other conditions and requirements of AU section 551 are met, the auditor may provide an in-relation-to opinion on the SEFA."